

CITY OF SIGOURNEY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

CITY OF SIGOURNEY, IOWA

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CITY OF SIGOURNEY, IOWA

OFFICIALS
JUNE 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Patricia Miletich	Mayor	January 2014
Edward Conrad	Council Member	January 2016
Randall Schultz	Council Member	January 2014
Drew Ballensky	Council Member	January 2014
Jeffrey Johnson	Council Member	January 2014
Connie McLaughlin	Council Member	January 2016
Angela Alderson	City Clerk	Indefinite
John Wehr	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting in an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sigourney, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the six years ended June 30, 2009 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages, 4 through 8 and 24 through 26 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2013 on our consideration of the City of Sigourney, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Sigourney, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
November 20, 2013

CITY OF SIGOURNEY, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The City of Sigourney, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 6.4% or \$108,093 from fiscal year 2012 to fiscal 2013. Note proceeds increased \$100,000 and make up the majority of the increase.
- Disbursements of the City's governmental activities decreased 19.0% or \$417,594 from fiscal 2012 to fiscal 2013. Capital projects disbursements decreased \$287,351.
- Receipts of the City's business type activities increased 41.1%, or \$752,786, from fiscal year 2012 to fiscal year 2013. Capital grants, contributions and restricted interest decreased \$797,142.
- Disbursements of the City's business type activities decreased 42.3%, or \$751,553, from fiscal year 2012 to fiscal year 2013. Sewer disbursements decreased \$674,684.
- The City's total cash basis net position increased 2.4% or \$56,037 from June 30, 2012 to June 30, 2013. Of this amount, the net position of the governmental activities increased \$23,804 and the net position of the business type activities increased by \$32,233.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental funds and proprietary funds were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information that helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's cash net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer and sanitation funds. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operation and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three enterprise Funds to provide separate information for the water, sewer and sanitation funds, all three are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$967,797 to \$991,601. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year Ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 84,472	\$ 108,598
Operating grants, contributions and restricted interest	294,304	269,308
General receipts:		
Property tax	968,372	928,955
Local option sales tax	227,601	210,372
Tax increment financing	67,115	69,622
Unrestricted interest on investments	3,102	3,540
Long term debt proceeds	100,000	-
Other general receipts	40,626	87,104
Total receipts	<u>1,785,592</u>	<u>1,677,499</u>
Disbursements:		
Public safety	346,402	363,258
Public works	321,637	330,151
Culture and recreation	206,843	286,781
Community and economic development	65,154	75,746
General government	246,743	265,434
Debt service	440,820	436,472
Capital projects	156,200	443,551
Total disbursements	<u>1,783,799</u>	<u>2,201,393</u>
Change in cash basis net position before transfers	1,793	(523,894)
Transfers, net	<u>22,011</u>	<u>23,216</u>
Change in cash basis net position	23,804	(500,678)
Cash basis net position beginning of year	<u>967,797</u>	<u>1,468,475</u>
Cash basis net position end of year	\$ <u>991,601</u>	\$ <u>967,797</u>

The City's total receipts for governmental activities increased 6.4% or \$108,093. The increase in receipts was primarily the result of proceeds from debt received during the current year.

The total cost (disbursements) of all programs and services decreased by \$417,594 or 19.0%. The decrease in disbursements was primarily the result of less capital projects expenditures for the current year.

Changes in Cash Basis Net Position of Business Type Activities

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 457,053	\$ 451,124
Sewer	394,618	323,295
Sanitation	176,722	177,414
Capital grants, contributions and restricted interest	-	797,142
General receipts:		
Unrestricted interest on investments	4,441	6,286
Other general receipts	<u>45,961</u>	<u>76,320</u>
Total receipts	<u>1,078,795</u>	<u>1,831,581</u>
Disbursements:		
Water	491,886	560,710
Sewer	379,209	1,053,893
Sanitation	<u>153,456</u>	<u>161,501</u>
Total disbursements	<u>1,024,551</u>	<u>1,776,104</u>
Change in cash basis net position before transfers	54,244	55,477
Transfers, net	<u>(22,011)</u>	<u>(23,216)</u>
Change in cash basis net position	32,233	32,261
Cash basis net position beginning of year	<u>1,365,976</u>	<u>1,333,715</u>
Cash basis net position end of year	\$ <u>1,398,209</u>	\$ <u>1,365,976</u>

Total business type activities receipts for the fiscal year decreased \$752,786 or 41.1%. The decrease in receipts was primarily the result of increases in capital grants, contributions and restricted interest.

Total business type activities disbursements decreased \$751,553 or 42.3%. This resulted primarily from a decreases in sewer fund expenditures.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sigourney, Iowa completed the year, its governmental funds reported a combined fund balance of \$1,015,923, an increase of \$54,126 from last year's total of \$961,797. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$44,668 primarily due to an increase in public safety disbursements from the prior year to \$341,022.
- The Road Use Tax Fund cash balance increased \$46,483 primarily due to a decrease in public works expenditures from the prior year to \$104,934.
- The Local Option Sales and Services Tax Fund cash balance decreased \$527 primarily due to an increase in expenditures compared to the prior year to \$317,483.
- The Employee Benefits Fund cash balance increase \$30,717 primarily due to a decrease in transfer out to \$67,907.
- The Debt Service Fund cash balance decreased \$5,049 primarily due to a decrease in property tax receipts to \$13,650.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS (Continued)

- The Capital Projects Fund cash balance decreased \$53,238 primarily related to expenditures in excess of receipts and proceeds from long-term debt to \$287,351.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$24,843 to \$566,815, due primarily to a decrease in charges for service in the current fiscal year.
- The Sewer Fund cash balance increased \$19,549 to \$550,351, due primarily to an increase in charges for service in the current fiscal year.
- The Sanitation Fund cash balance decreased \$2,815 to \$114,100, in the current fiscal year.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2013, the City amended its budget three times resulting in an increase in budgeted expenditures of \$90,047.

DEBT ADMINISTRATION

At June 30, 2013 the City had \$3,979,101 in bonds and other long-term debt, compared to \$4,390,932 last year, as shown below.

Outstanding Debt at Year End

	<u>Year ending June 30,</u>	
	<u>2013</u>	<u>2012</u>
General obligation notes	\$ 2,585,000	\$ 2,885,000
Revenue notes and bonds	1,298,000	1,468,000
Other obligations	<u>94,619</u>	<u>37,932</u>
Total	\$ <u>3,977,619</u>	\$ <u>4,390,932</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. At June 30, 2013, the City's general obligation debt outstanding was below its constitutional debt limit of \$4,201,771. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Sigourney, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment (as of July 2013) in the County now stands at 5.4% compared to 6.2% last year. This compares with the State's unemployment rate of 4.8% and the national rate of 7.3%.

Inflation in the State was lower than the national Consumer Price Index increase. The State's CPI increase was 5.043% for the twelve month period ending October 2012 compared with the national rate of 4.026%.

These indicators were taken into account when adopting the budget for fiscal year 2014. There were no major changes to the fiscal year 2014 budget, other than an increase in intergovernmental receipts and capital projects expenditures.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angela Alderson, City Clerk, 100 North Main, Sigourney, Iowa 52591.

BASIC FINANCIAL STATEMENTS

CITY OF SIGOURNEY, IOWA

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Public safety	\$ 346,402	\$ 18,224	\$ 8,748
Public works	321,637	-	197,182
Culture and recreation	206,843	51,982	72,720
Community and economic development	65,154	-	12,692
General government	246,743	14,266	2,962
Debt service	440,820	-	-
Capital projects	156,200	-	-
Total governmental activities	<u>1,783,799</u>	<u>84,472</u>	<u>294,304</u>
Business type activities:			
Water	491,886	457,053	-
Sewer	379,209	394,618	-
Sanitation	153,456	176,722	-
Total business type activities	<u>1,024,551</u>	<u>1,028,393</u>	<u>-</u>
Total	\$ <u>2,808,350</u>	\$ <u>1,112,865</u>	\$ <u>294,304</u>

General receipts and transfers:

Property and other city tax levied for:
 General purposes
 Debt service
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Note proceeds
Miscellaneous
Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Nonexpendable:
 Permanent Funds

Expendable:

 Streets
 Capital projects
 Debt Service

Unrestricted

Total cash basis net position

See Notes to Financial Statements

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
\$ (319,430)	\$ -	\$ (319,430)
(124,455)	-	(124,455)
(82,141)	-	(82,141)
(52,462)	-	(52,462)
(229,515)	-	(229,515)
(440,820)	-	(440,820)
(156,200)	-	(156,200)
<u>(1,405,023)</u>	<u>-</u>	<u>(1,405,023)</u>
-	(34,833)	(34,833)
-	15,409	15,409
-	23,266	23,266
-	<u>3,842</u>	<u>3,842</u>
<u>(1,405,023)</u>	<u>3,842</u>	<u>(1,401,181)</u>
599,405	-	599,405
368,967	-	368,967
67,115	-	67,115
227,601	-	227,601
3,102	4,441	7,543
100,000	-	100,000
40,826	45,961	86,587
22,011	(22,011)	-
<u>1,428,827</u>	<u>28,391</u>	<u>1,457,218</u>
23,804	32,233	56,037
<u>967,797</u>	<u>1,365,976</u>	<u>2,333,773</u>
\$ <u>991,601</u>	\$ <u>1,398,209</u>	\$ <u>2,389,810</u>
\$ 5,675	\$ -	\$ 5,675
104,934	-	104,934
54,932	-	54,932
13,650	234,617	248,267
<u>812,410</u>	<u>1,163,592</u>	<u>1,976,002</u>
\$ <u>991,601</u>	\$ <u>1,398,209</u>	\$ <u>2,389,810</u>

CITY OF SIGOURNEY, IOWA

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

		<u>Special Revenue</u>			
			Local		
			Option		
			Sales and		
			Services Tax		
	<u>General</u>	<u>Road</u>		<u>Employee</u>	<u>Debt</u>
		<u>Use Tax</u>		<u>Benefits</u>	<u>Service</u>
RECEIPTS:					
Property tax	\$ 423,937	\$ -	\$ -	\$ 143,430	\$ 357,477
Tax increment financing	-	-	-	-	-
Other City tax	37,575	-	227,601	-	-
Licenses and permits	19,745	-	-	-	-
Use of money and property	14,972	-	1,037	-	-
Intergovernmental	42,250	197,182	-	4,876	11,489
Charges for service	47,967	-	-	-	-
Miscellaneous	35,140	1,262	12,036	-	-
Total receipts	<u>621,586</u>	<u>198,444</u>	<u>240,674</u>	<u>148,306</u>	<u>368,966</u>
DISBURSEMENTS:					
Operating:					
Public safety	228,955	-	6,171	78,244	-
Public works	-	154,961	112,358	23,318	-
Culture and recreation	162,705	-	22,154	17,402	-
Community and economic development	-	-	65,154	-	-
General government	187,704	-	1,959	21,841	-
Debt service	-	-	-	-	440,820
Capital projects	-	-	-	-	-
Total disbursements	<u>579,364</u>	<u>154,961</u>	<u>207,796</u>	<u>140,805</u>	<u>440,820</u>
Excess (deficiency) of receipts over (under) disbursements	<u>42,222</u>	<u>43,483</u>	<u>32,878</u>	<u>7,501</u>	<u>(71,854)</u>
Other financing sources (uses):					
Note proceeds	-	-	-	-	-
Sale of assets	2,446	3,000	-	-	-
Transfers in	-	-	-	23,216	66,805
Transfers out	-	-	(33,405)	-	-
Total other financing sources (uses)	<u>2,446</u>	<u>3,000</u>	<u>(33,405)</u>	<u>23,216</u>	<u>66,805</u>
Change in cash balances	44,668	46,483	(527)	30,717	(5,049)
CASH BALANCES - Beginning of year	<u>296,354</u>	<u>58,451</u>	<u>318,010</u>	<u>37,190</u>	<u>18,699</u>
CASH BALANCES - End of year	<u>\$ 341,022</u>	<u>\$ 104,934</u>	<u>\$ 317,483</u>	<u>\$ 67,907</u>	<u>\$ 13,650</u>
Cash Basis Fund Balances					
Nonspendable:					
Permanent Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:					
Debt service	-	-	-	-	13,650
Special revenue funds	-	104,934	317,483	67,907	-
Capital projects funds	-	-	-	-	-
Unassigned	341,022	-	-	-	-
Total cash basis fund balances	<u>\$ 341,022</u>	<u>\$ 104,934</u>	<u>\$ 317,483</u>	<u>\$ 67,907</u>	<u>\$ 13,650</u>

See Notes to Financial Statements

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 12,525	\$ 937,369
-	67,115	67,115
-	-	265,176
-	-	19,745
-	233	16,242
-	403	256,200
-	10,264	58,231
<u>2,962</u>	<u>8,556</u>	<u>59,956</u>
<u>2,962</u>	<u>99,096</u>	<u>1,680,034</u>
-	33,598	346,968
-	-	290,637
-	4,582	206,843
-	-	65,154
-	35,239	246,743
-	-	440,820
<u>156,200</u>	<u>-</u>	<u>156,200</u>
<u>156,200</u>	<u>73,419</u>	<u>1,753,365</u>
<u>(153,238)</u>	<u>25,677</u>	<u>(73,331)</u>
100,000	-	100,000
-	-	5,446
-	-	90,021
-	(34,605)	(68,010)
<u>100,000</u>	<u>(34,605)</u>	<u>127,457</u>
(53,238)	(8,928)	54,126
<u>108,170</u>	<u>124,923</u>	<u>961,797</u>
\$ <u>54,932</u>	\$ <u>115,995</u>	\$ <u>1,015,923</u>
\$ -	\$ 5,675	\$ 5,675
-	-	13,650
-	110,320	600,644
54,932	-	54,932
-	-	341,022
\$ <u>54,932</u>	\$ <u>115,995</u>	\$ <u>1,015,923</u>

CITY OF SIGOURNEY, IOWA

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT
OF ACTIVITIES AND NET POSITION - GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Total governmental funds cash balances	\$	1,015,923
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Statement of Activities and Net Position.

(24,322)

Cash basis net position of governmental activities	\$	<u>991,601</u>
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Change in cash balances	\$	54,126
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

(30,322)

Change in cash basis net position of governmental activities	\$	<u>23,804</u>
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CITY OF SIGOURNEY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Enterprise Funds</u>				<u>Internal Service Vehicle Replacement</u>
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>	
<u>Operating receipts:</u>					
Charges for service	\$ 457,053	\$ 394,618	\$ 176,722	\$ 1,028,393	\$ 114,100
Miscellaneous	38,817	3,136	4,007	45,960	-
Total operating receipts	<u>495,870</u>	<u>397,754</u>	<u>180,729</u>	<u>1,074,353</u>	<u>114,100</u>
<u>Operating disbursements:</u>					
Governmental activities:					
Public safety	-	-	-	-	4,434
Public works	-	-	-	-	59,500
Business type activities	<u>320,988</u>	<u>248,193</u>	<u>162,340</u>	<u>731,521</u>	<u>40,761</u>
Total operating disbursements	<u>320,988</u>	<u>248,193</u>	<u>162,340</u>	<u>731,521</u>	<u>104,695</u>
Excess of operating receipts over operating disbursements	<u>174,882</u>	<u>149,561</u>	<u>18,389</u>	<u>342,832</u>	<u>9,405</u>
<u>Non-operating receipts (disbursements):</u>					
Interest on investments	2,224	1,525	189	3,938	615
Capital projects	(69,789)	(28,572)	-	(98,361)	-
Debt service	<u>(123,228)</u>	<u>(95,563)</u>	<u>(15,716)</u>	<u>(234,507)</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>(190,793)</u>	<u>(122,610)</u>	<u>(15,527)</u>	<u>(328,930)</u>	<u>615</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(15,911)</u>	<u>26,951</u>	<u>2,862</u>	<u>13,902</u>	<u>10,020</u>
<u>Other financing sources (uses):</u>					
Transfers in	1,100	105	-	1,205	-
Transfers out	<u>(10,032)</u>	<u>(7,507)</u>	<u>(5,677)</u>	<u>(23,216)</u>	<u>-</u>
Total other financing sources (uses)	<u>(8,932)</u>	<u>(7,402)</u>	<u>(5,677)</u>	<u>(22,011)</u>	<u>-</u>
Change in cash balances	(24,843)	19,549	(2,815)	(8,109)	10,020
<u>CASH BALANCES - Beginning of year</u>	<u>591,658</u>	<u>530,802</u>	<u>116,915</u>	<u>1,239,375</u>	<u>132,601</u>
<u>CASH BALANCES - End of year</u>	<u>\$ 566,815</u>	<u>\$ 550,351</u>	<u>\$ 114,100</u>	<u>\$ 1,231,266</u>	<u>\$ 142,621</u>
<u>Cash Basis Fund Balances</u>					
Restricted for:					
Debt service	\$ 84,233	\$ 150,384	\$ -	\$ 234,617	\$ -
Water deposits	34,225	-	-	34,225	-
Sewer construction	-	156,362	-	156,362	-
Unrestricted	<u>448,357</u>	<u>243,605</u>	<u>114,100</u>	<u>806,062</u>	<u>142,621</u>
Total cash basis fund balances	<u>\$ 566,815</u>	<u>\$ 550,351</u>	<u>\$ 114,100</u>	<u>\$ 1,231,266</u>	<u>\$ 142,621</u>

CITY OF SIGOURNEY, IOWA

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT
OF ACTIVITIES AND NET POSITION - PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

Total enterprise funds cash balances	\$ 1,231,266
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Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

166,943

Cash basis net position of business type activities	\$ <u>1,398,209</u>
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Change in cash balances	\$ (8,109)
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Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

40,342

Change in cash basis net position of business type activities	\$ <u>32,233</u>
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CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sigourney, Iowa is a political subdivision of the State of Iowa located in Keokuk County. It was first incorporated in 1844 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sigourney, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Sigourney, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Friends of the Sigourney Library was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. The Friends of the Sigourney Library is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Friends of the Sigourney Library is legally separate from the City, its purpose is to benefit the City of Sigourney, Iowa (the primary government) by soliciting contributions and managing those funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Keokuk County Assessor's Conference Board, Keokuk County E-911 Joint Service Board and Keokuk County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

CITY OF SIGOURNEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Net position restricted through enabling legislation consist of \$156,362 for sewer construction.

Unrestricted net position consist of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales and Services Tax Fund is used to account for receipts from the local option sales and services tax. The receipts are used to finance projects approved by the City Council.

The Employee Benefits Fund is used to account for property tax and other receipts to be used for the payment of the City's governmental fund employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sanitation Fund accounts for the operation and maintenance of the City's sanitary disposal system.

The City also reports the following additional proprietary fund:

CITY OF SIGOURNEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Sigourney, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2: CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

CITY OF SIGOURNEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3: NOTES PAYABLE

Annual debt service requirements to maturity for general obligation and revenue capital loan notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes		Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 260,000	\$ 97,971	\$ 104,000	\$ 38,940	\$ 364,000	\$ 136,911
2015	190,000	90,371	106,000	35,820	296,000	126,191
2016	200,000	83,670	110,000	32,640	310,000	116,310
2017	180,000	76,716	114,000	29,340	294,000	106,056
2018	180,000	70,603	117,000	25,920	297,000	96,523
2019-2023	860,000	250,056	516,000	75,690	1,376,000	325,746
2024-2028	595,000	116,013	231,000	21,240	826,000	137,253
2029-2030	120,000	8,100	-	-	120,000	8,100
Total	\$ 2,585,000	\$ 793,500	\$ 1,298,000	\$ 259,590	\$ 3,883,000	\$ 1,053,090

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,527,000 of water revenue notes issued in October 2001, February 2002, May 2002 and December 2007. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2028. Annual principal and interest payments on the notes required 68% of net receipts. The total principal and interest remaining to be paid on the notes is \$984,250. For the current year, principal and interest paid and total customer net receipts were \$120,590 and \$177,106, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,482,000 of sewer revenue notes issued in November 1992 and December 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes required 62% of net receipts. The total principal and interest remaining to be paid on the notes is \$573,340. For the current year, principal and interest paid and total customer net receipts were \$94,190 and \$151,086, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the notes holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate water revenue note sinking account within the Enterprise Funds for the purpose of making the notes principal and interest payments when due.
- c. A total of \$41,940 shall be set aside in a water reserve account for the notes issued in May 2002. This account is restricted for the purpose of paying the principal and interest on the notes whenever the funds in the sinking account are insufficient. In addition, a total of \$75,000 shall be set aside in a water reserve account for the notes issued in December 2007.
- d. Water user rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year for the notes issued in December 2007 and not less than 1.25 times the maximum amount that will be required in any fiscal year prior to the respective longest maturity of each issue of water revenue notes.
- e. Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

CITY OF SIGOURNEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3: NOTES PAYABLE (Continued)

Bank Loans

On April 16, 2009, the City entered into a loan agreement for a sanitation truck. The loan of \$70,000, with interest at 4.50% per annum, is payable over a five-year period.

On November 6, 2009, the City entered into a loan agreement for a retaining wall. The loan of \$45,000, with interest at 4.50% per annum, is payable over a five year period.

On October 24, 2012, the City entered into a loan agreement for a pool liner. The loan of \$100,000, with interest at 4.70% per annum, is payable over a five-year period.

NOTE 4: PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$44,625, \$44,014, and \$37,715, respectively, equal to the required contributions for each year.

NOTE 5: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's liability for earned vacation, compensatory time and sick leave payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 37,374
Compensatory time	12,652
Sick leave	<u>2,793</u>
Total	\$ <u>52,819</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

CITY OF SIGOURNEY, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Employee Benefits	Water Utility	\$ 10,032
	Sewer Utility	7,507
	Landfill/Garbage	<u>5,677</u>
		<u>23,216</u>
Debt Service	Special Revenue:	
	Local Option Sales and	
	Services Tax	32,200
	TIF Program	<u>34,605</u>
		<u>66,805</u>
Water Utility	Local Option Sales and Service Tax	1,100
Sewer Utility	Local Option Sales and Service Tax	<u>105</u>
Total		\$ <u>91,226</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 7: RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials or employees totaling \$839 during the year ended June 30, 2013.

NOTE 8: RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8: RISK MANAGEMENT(continued)

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$26,583.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by the Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one- year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$40,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: DEVELOPMENT AGREEMENTS

The City entered into a development agreement to assist in urban renewal projects, as follows:

The City agreed to make payments to C, B and D Development, Inc. under Chapter 403 of the Code of Iowa. The total to be paid by the City under this agreement shall be equal to the lesser of the sum of the total applicable percentage of all tax increments collected with respect to the assessments imposed on the development property and minimum improvements as of January 1, 2006 and January 1 of each of the following fourteen years, the actual cost of the public improvements (including reasonable interest cost) for which bills and proof of payment have been submitted to the City and constructed by the Developer on or before December 31, 2015 or \$1,000,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property. As of June 30, 2013, \$223,738 has been paid to the Developer.

NOTE 10: OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 11 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark and Delta Dental. Retirees under age 65 pay the same premium for medical/prescription drug benefits as active employees.

CITY OF SIGOURNEY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE10: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Funding policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member premiums for the City and plan members are \$574 for single coverage and \$1,462 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$144,154 to the plan and plan members eligible for benefits contributed \$20,294 to the plan.

NOTE11: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2012 have been reclassified to conform to June 30, 2013 presentation.

NOTE 12: SUBSEQUENT EVENTS

Subsequent to June 30, 2013, the City issued \$750,000 in General Obligation Bonds to help fund street projects.

Subsequent events have been evaluated through November 20, 2013, the date the financial statements were available to be issued.

OTHER INFORMATION

CITY OF SIGOURNEY, IOWA

BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2013

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to <u>be Budgeted</u>
<u>RECEIPTS:</u>			
Property tax	\$ 937,369	\$ -	\$ -
Tax increment financing	67,115	-	-
Other City tax	265,176	-	-
License and permits	19,745	-	-
Use of money and property	16,242	4,553	618
Intergovernmental	256,200	-	-
Charges for service	58,231	1,142,493	114,100
Special assessments	-	-	-
Miscellaneous	59,956	45,960	2,821
Total receipts	<u>1,680,034</u>	<u>1,193,006</u>	<u>117,539</u>
<u>DISBURSEMENTS:</u>			
Public safety	346,968	4,434	4,434
Public works	290,637	59,500	59,500
Culture and recreation	206,843	-	2,218
Community and economic development	65,154	-	-
General government	246,743	-	-
Debt service	440,820	-	-
Capital projects	156,200	-	-
Business type activities	-	1,105,150	40,761
Total disbursements	<u>1,753,365</u>	<u>1,169,084</u>	<u>106,913</u>
Excess (deficiency) of receipts over (under) disbursements	(73,331)	23,922	10,626
Other financing sources (uses), net	<u>127,457</u>	<u>(22,011)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	54,126	1,911	10,626
<u>BALANCES - Beginning of year</u>	<u>961,797</u>	<u>1,371,976</u>	<u>139,871</u>
<u>BALANCES - End of year</u>	\$ <u>1,015,923</u>	\$ <u>1,373,887</u>	\$ <u>150,497</u>

		Budgeted Amounts		
<u>Total</u>		<u>Original</u>	<u>Final</u>	<u>Final to Total Variance</u>
\$ 937,369	\$	992,253	\$ 992,253	\$ (54,884)
67,115		55,050	55,050	12,065
265,176		257,378	256,378	8,798
19,745		17,800	14,400	5,345
20,177		14,365	25,021	(4,844)
256,200		250,060	207,460	48,740
1,086,624		953,230	966,705	119,919
-		78,600	83,600	(83,600)
103,095		49,435	121,810	(18,715)
<u>2,755,501</u>		<u>2,668,171</u>	<u>2,722,677</u>	<u>32,824</u>
346,968		460,315	435,388	88,420
290,637		318,459	348,859	58,222
204,625		335,884	275,142	70,517
65,154		186,904	123,300	58,146
246,743		261,470	250,390	3,647
440,820		416,745	443,245	2,425
156,200		100,000	210,200	54,000
1,064,389		1,147,932	1,231,232	166,843
<u>2,815,536</u>		<u>3,227,709</u>	<u>3,317,756</u>	<u>502,220</u>
(60,035)		(559,538)	(595,079)	535,044
<u>105,446</u>		<u>2,429</u>	<u>102,429</u>	<u>3,017</u>
45,411		(557,109)	(492,650)	538,061
<u>2,193,902</u>		<u>1,923,128</u>	<u>2,194,692</u>	<u>(790)</u>
\$ <u>2,239,313</u>	\$	<u>1,366,019</u>	\$ <u>1,702,042</u>	\$ <u>537,271</u>

CITY OF SIGOURNEY, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

JUNE 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except for the blended component unit and the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$90,047. The budget amendments are reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

CITY OF SIGOURNEY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Special Revenue</u>				
	<u>Restricted Gifts</u>	<u>Urban Renewal Tax Increment</u>	<u>CDBG Housing</u>	<u>TIF Program</u>	<u>CLG History Presentation</u>
RECEIPTS:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	67,115	-
Use of money and property	101	3	-	-	8
Intergovernmental	-	-	-	-	-
Charges for service	-	-	10,264	-	-
Miscellaneous	5,398	-	337	-	-
Total receipts	<u>5,499</u>	<u>3</u>	<u>10,601</u>	<u>67,115</u>	<u>8</u>
DISBURSEMENTS:					
Operating:					
Public safety	91	-	20,579	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	2,559	-	170	32,510	-
Total disbursements	<u>2,650</u>	<u>-</u>	<u>20,749</u>	<u>32,510</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>2,849</u>	<u>3</u>	<u>(10,148)</u>	<u>34,605</u>	<u>8</u>
Other financing uses:					
Transfers out	-	-	-	(34,605)	-
Net change in cash balances	2,849	3	(10,148)	-	8
CASH BALANCES - Beginning of year	<u>24,800</u>	<u>3,088</u>	<u>33,154</u>	<u>9,946</u>	<u>2,224</u>
CASH BALANCES - End of year	\$ <u>27,649</u>	\$ <u>3,091</u>	\$ <u>23,006</u>	\$ <u>9,946</u>	\$ <u>2,232</u>
Cash Basis Fund Balances					
Nonspendable:					
Permanent Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for other purposes	<u>27,649</u>	<u>3,091</u>	<u>23,006</u>	<u>9,946</u>	<u>2,232</u>
Total Cash Basis Fund Balances	\$ <u>27,649</u>	\$ <u>3,091</u>	\$ <u>23,006</u>	\$ <u>9,946</u>	\$ <u>2,232</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 1

<u>Emergency</u>	<u>Lewis Memorial Fountain</u>	<u>Year 2044</u>	<u>Friends of the Sigourney Public Library</u>	<u>Permanent</u>		<u>Total</u>
				<u>Lewis Memorial Trust</u>	<u>Library Memorial Trust</u>	
\$ 12,525	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,525
-	-	-	-	-	-	67,115
-	51	67	3	-	-	233
403	-	-	-	-	-	403
-	-	-	-	-	-	10,264
-	-	-	2,821	-	-	8,556
<u>12,928</u>	<u>51</u>	<u>67</u>	<u>2,824</u>	<u>-</u>	<u>-</u>	<u>99,096</u>
12,928	-	-	-	-	-	33,598
-	2,364	-	2,218	-	-	4,582
-	-	-	-	-	-	35,239
<u>12,928</u>	<u>2,364</u>	<u>-</u>	<u>2,218</u>	<u>-</u>	<u>-</u>	<u>73,419</u>
-	(2,313)	67	606	-	-	25,677
-	-	-	-	-	-	(34,605)
-	(2,313)	67	606	-	-	(8,928)
-	28,533	10,233	7,270	4,675	1,000	124,923
\$ <u>-</u>	\$ <u>26,220</u>	\$ <u>10,300</u>	\$ <u>7,876</u>	\$ <u>4,675</u>	\$ <u>1,000</u>	\$ <u>115,995</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,675	\$ 1,000	\$ 5,675
-	26,220	10,300	7,876	-	-	110,320
\$ <u>-</u>	\$ <u>26,220</u>	\$ <u>10,300</u>	\$ <u>7,876</u>	\$ <u>4,675</u>	\$ <u>1,000</u>	\$ <u>115,995</u>

CITY OF SIGOURNEY, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>
General obligation capital loan notes:		
Series 2010	September 29, 2009	3.5% - 4.1%
Refunding Series 2008	May 7, 2008	4.50%
Series 2010A	October 1, 2010	2.00%
Series 2010B	October 1, 2010	2.0% - 3.38%
Series 2011	February 1, 2011	2.0% - 4.5%
Total		
Revenue capital loan notes:		
Sewer Series 1992	November 25, 1992	3.00%
Water Series 2001	October 1, 2001 *	3.00%
Water Series 2002	May 3, 2002 *	3.00%
Water Series 2002B	May 1, 2002	2.55% - 4.85%
Sewer Series 2002	December 6, 2002 *	3.00%
Water Series 2007	December 20, 2007 *	3.00%
Total		
Other obligations:		
Bank loans:		
Retaining Wall	November 6, 2009	4.50%
Sanitation Truck	April 16, 2009	4.50%
Pool Liner	October 24, 2012	4.70%
Total		

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

SCHEDULE 2

<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed/ Cancelled During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 350,000	\$ 350,000	\$ -	\$ 35,000	\$ 315,000	\$ 13,200	\$ -
1,255,000	1,005,000	-	70,000	935,000	45,225	-
500,000	215,000	-	145,000	70,000	4,300	-
670,000	570,000	-	50,000	520,000	16,296	-
770,000	<u>745,000</u>	<u>-</u>	<u>-</u>	<u>745,000</u>	<u>27,225</u>	<u>-</u>
	\$ <u>2,885,000</u>	\$ <u>-</u>	\$ <u>300,000</u>	\$ <u>2,585,000</u>	\$ <u>106,246</u>	\$ <u>-</u>
\$ 523,000	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ 900	\$ -
390,000	204,000	-	20,000	184,000	6,120	-
50,000	27,000	-	3,000	24,000	810	-
350,000	40,000	-	40,000	-	1,940	-
959,000	543,000	-	47,000	496,000	16,290	-
737,000	<u>624,000</u>	<u>-</u>	<u>30,000</u>	<u>594,000</u>	<u>18,720</u>	<u>-</u>
	\$ <u>1,468,000</u>	\$ <u>-</u>	\$ <u>170,000</u>	\$ <u>1,298,000</u>	\$ <u>44,780</u>	\$ <u>-</u>
\$ 45,000	\$ 9,200	\$ -	\$ 9,200	\$ -	\$ 259	\$ -
70,000	28,732	-	14,714	14,018	1,002	-
\$ 100,000	<u>-</u>	<u>100,000</u>	<u>19,399</u>	<u>80,601</u>	<u>3,218</u>	<u>-</u>
	\$ <u>37,932</u>	\$ <u>100,000</u>	\$ <u>43,313</u>	\$ <u>94,619</u>	\$ <u>4,479</u>	\$ <u>-</u>

CITY OF SIGOURNEY, IOWA

BOND AND NOTE MATURITIES

JUNE 30, 2013

Year Ending June 30,	General Obligation Capital Loan Notes					
	Series 2010A		Series 2010B		Series 2011	
	Issued October 1, 2010		Issued October 1, 2010		Issued February 1, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	2.00 %	\$ 70,000	2.00 %	\$ 50,000	2.00 %	\$ 30,000
2015		-	3.00	50,000	2.00	30,000
2016		-	3.00	50,000	2.00	35,000
2017		-	2.38	50,000	3.00	35,000
2018		-	2.88	50,000	3.00	35,000
2019		-	2.88	50,000	3.00	35,000
2020		-	3.20	55,000	3.50	40,000
2021		-	3.38	55,000	3.50	40,000
2022		-	3.38	55,000	3.50	45,000
2023		-	3.38	55,000	4.00	45,000
2024		-		-	4.00	45,000
2025		-		-	4.00	50,000
2026		-		-	4.25	50,000
2027		-		-	4.25	55,000
2028		-		-	4.25	55,000
2029		-		-	4.50	60,000
2030		-		-	4.50	60,000
Total		\$ 70,000		\$ 520,000		\$ 745,000

Year Ending June 30,	Water Series 2001		Water Series 2002		Sewer Series 2002	
	Issued October 1, 2001		Issued May 3, 2002		Issued December 6, 2002	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	3.00 %	\$ 21,000	3.00 %	\$ 3,000	3.00 %	\$ 49,000
2015	3.00	21,000	3.00	3,000	3.00	50,000
2016	3.00	22,000	3.00	3,000	3.00	52,000
2017	3.00	23,000	3.00	3,000	3.00	53,000
2018	3.00	23,000	3.00	3,000	3.00	55,000
2019	3.00	24,000	3.00	3,000	3.00	57,000
2020	3.00	25,000	3.00	3,000	3.00	58,000
2021	3.00	25,000	3.00	3,000	3.00	60,000
2022		-		-	3.00	62,000
2023		-		-		-
2024		-		-		-
2025		-		-		-
2026		-		-		-
2027		-		-		-
2028		-		-		-
Total		\$ 184,000		\$ 24,000		\$ 496,000

See Accompanying Independent Auditor's Report

SCHEDULE 3

Refunding Series 2008			Series 2010		
Issued May 7, 2008			Issued September 29, 2009		
Interest Rates	Amount		Interest Rates	Amount	Total
4.50 %	\$ 75,000		3.5 %	\$ 35,000	\$ 260,000
4.50	75,000		3.5	35,000	190,000
4.50	80,000		3.3	35,000	200,000
4.50	55,000		3.5	40,000	180,000
4.50	55,000		4.1	40,000	180,000
4.50	55,000		4.1	40,000	180,000
4.50	55,000		4.1	45,000	195,000
4.50	65,000		4.1	45,000	205,000
4.50	40,000			-	140,000
4.50	40,000			-	140,000
4.50	40,000			-	85,000
4.50	50,000			-	100,000
4.50	50,000			-	100,000
4.50	50,000			-	105,000
4.50	150,000			-	205,000
	-			-	60,000
	-			-	60,000
	\$ 935,000			\$ 315,000	\$ 2,585,000

Water Series 2007				
Issued December 20, 2007				
Interest Rates	Amount		Total	
3.00 %	\$ 31,000		\$ 104,000	
3.00	32,000		106,000	
3.00	33,000		110,000	
3.00	35,000		114,000	
3.00	36,000		117,000	
3.00	37,000		121,000	
3.00	38,000		124,000	
3.00	39,000		127,000	
3.00	40,000		102,000	
3.00	42,000		42,000	
3.00	43,000		43,000	
3.00	45,000		45,000	
3.00	46,000		46,000	
3.00	48,000		48,000	
3.00	49,000		49,000	
	\$ 594,000		\$ 1,298,000	

CITY OF SIGOURNEY, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>RECEIPTS:</u>				
Property tax	\$ 937,369	\$ 928,955	\$ 818,502	\$ 685,848
Tax increment financing	67,115	69,622	63,365	17,693
Other City tax	265,176	233,929	247,351	245,843
Licenses and permits	19,745	20,030	40,371	38,563
Use of money and property	16,242	21,899	19,936	23,725
Intergovernmental	256,200	250,266	366,922	848,772
Charges for service	58,231	68,580	47,514	45,167
Special assessments	-	-	6,024	168
Miscellaneous	59,956	79,036	184,035	26,441
Total	\$ <u>1,680,034</u>	\$ <u>1,672,317</u>	\$ <u>1,794,020</u>	\$ <u>1,932,220</u>
<u>DISBURSEMENTS:</u>				
Operating:				
Public safety	\$ 346,968	\$ 339,216	\$ 351,163	\$ 310,067
Public works	290,637	310,151	247,193	253,342
Culture and recreation	206,843	286,534	226,056	262,065
Community and economic development	65,154	75,746	149,782	184,089
General government	246,743	265,434	202,362	336,149
Debt service	440,820	436,472	1,711,621	396,923
Capital projects	156,200	443,551	338,685	886,367
Total	\$ <u>1,753,365</u>	\$ <u>2,157,104</u>	\$ <u>3,226,862</u>	\$ <u>2,629,002</u>

SCHEDULE 4

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 813,584	\$ 784,884	\$ 785,493	\$ 679,216	\$ 638,995	\$ 619,563
15,971	10,483	-	-	-	-
253,702	186,336	46,111	26,141	25,636	36,143
13,868	11,040	5,105	10,313	2,629	7,545
20,446	21,261	23,248	17,836	14,372	16,253
542,350	256,839	217,157	209,547	304,306	326,862
31,475	31,102	32,736	47,183	39,524	46,035
2,920	3,901	6,634	9,289	8,698	10,681
75,015	103,931	81,432	193,803	496,157	398,183
<u>\$ 1,769,331</u>	<u>\$ 1,409,777</u>	<u>\$ 1,197,916</u>	<u>\$ 1,193,328</u>	<u>\$ 1,530,317</u>	<u>\$ 1,461,265</u>
\$ 280,382	\$ 245,805	\$ 254,442	\$ 217,030	\$ 223,059	\$ 240,328
190,944	216,013	200,569	180,334	223,551	207,252
199,791	183,933	208,531	308,714	567,785	268,299
398,302	107,300	43,576	17,865	109,899	125,589
221,767	215,215	165,318	209,372	175,003	159,057
411,910	368,160	292,897	302,292	881,616	268,166
349,142	41,040	99,620	638,454	5,000	170,439
<u>\$ 2,052,238</u>	<u>\$ 1,377,466</u>	<u>\$ 1,264,953</u>	<u>\$ 1,874,061</u>	<u>\$ 2,185,913</u>	<u>\$ 1,439,130</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City Council
The City of Sigourney, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 20, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sigourney, Iowa's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sigourney, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sigourney, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Sigourney, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sigourney, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Sigourney, Iowa's Responses to Findings

The City of Sigourney, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Sigourney, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sigourney, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
November 20, 2013

CITY OF SIGOURNEY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b. A significant deficiency and a material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies:

II-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check of those of another. Once person has control over each of the following areas for the City:

1. Receipts – Opening mail, collecting, depositing, journalizing and posting.
2. Utility Receipts – Opening mail, billing, collecting, depositing, posting and reconciling.
3. Disbursements – Preparing checks, signing checks and access to accounting records.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response –

1. The City Clerk's staff is trying different approaches as to who does the posting, depositing and reconciling.
2. The Deputy City Clerk prepares checks, but the Mayor and/or City Clerk sign the checks.

Conclusion – Response accepted.

II-B-13 Travel Reimbursements – During the year, City employees pay for travel expenses that are later reimbursed by the City to the employee. Upon inspection of reimbursed claims tested during the audit, it came to our attention that one of the expenses were reimbursed twice to an employee.

Recommendation – We recommend that the City develop a system to ensure this does not happen in the future.

Response – The City clerk will request repayment from the employee.

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were noted.

CITY OF SIGOURNEY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

Part III: Other Findings Related to Required Statutory Reporting

III-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.

III-B-13 Questionable Disbursements – No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brent Jennings, Police Reserve Officer Owner of the PTL shop	Services	\$ 629
Richard Casper Husband of City Hall Employee	Materials	\$ 85
Cody Davis, Police Reserve Officer	Services	\$ 125

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since the total transactions were less than \$2,500 during the fiscal year.

III-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-13 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

III-H-13 Revenue Bonds & Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.